



The Real Estate TRENDS

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

A review of our chart showing national real estate activity and business activity is encouraging. Real estate activity has been improving regularly since May of this year but is still 9.6% below normal. Business activity rose 0.2% above normal in August and was 0.7% higher in September.

Mortgage activity for September is 70.3--up 3.5 from the August figure. Residential rents are 125.2% for October--up 0.2% from September. Building costs in November for an average six-room frame house built in St. Louis are \$18,910--up \$30 from October. Wholesale prices have declined again, dropping 0.2% on the index. This left the index 1.9% above the level of a year ago.

Money and interest rates have increased sharply during the present business recovery. In contrast to this the interest rates during the recovery in August 1954 changed little. The Federal Reserve discount rate was lowered from 3-1/2% in August 1957 to a low of 1-3/4% in some reserve districts in October.

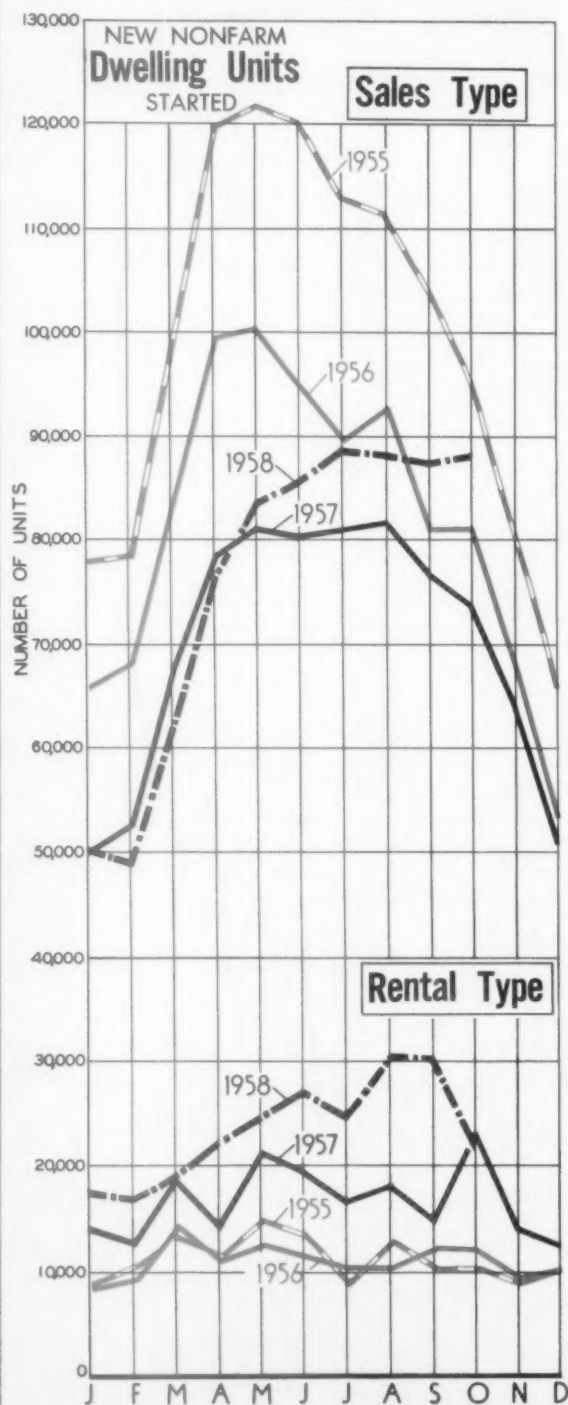
Short-term interest rates on prime paper rose to nearly 3% by September after dropping from over 4% in October 1957 to 1-1/2% in July 1958.

The yield on high-grade corporate bonds has recovered the entire loss suffered during the recession period.

Improved business conditions throughout the country have improved tax receipts. Revenues are expected to be about a billion dollars higher than the earlier estimate made by the Treasury Department, thereby bringing the deficit to about \$11 billion instead of the \$12 billion forecast earlier this year.

Our chart of new nonfarm dwelling units started shows the change in trend in the construction of rental type housing. It will be noticed that rental type housing in 1958 has been running ahead of 1957 and considerably ahead of 1955 and 1956.

In contrast to this, sales type housing in 1958 was running below the three previous years until the second quarter of this year. The chart shows



that sales type housing passed the level set in 1957 and is approaching the 1955 figure for the corresponding month.

It is interesting to compare the chart on the opposite page showing the surplus of rental units with the number of new rental type units started.

In order to arrive at a trend of rental units we checked the classified advertising columns in the newspapers in 50 cities, counting the number of advertisements of dwellings "for rent" and wanted "to rent". The number of wanted "to rent" is used to indicate the surplus or scarcity in the rental section of the housing market.

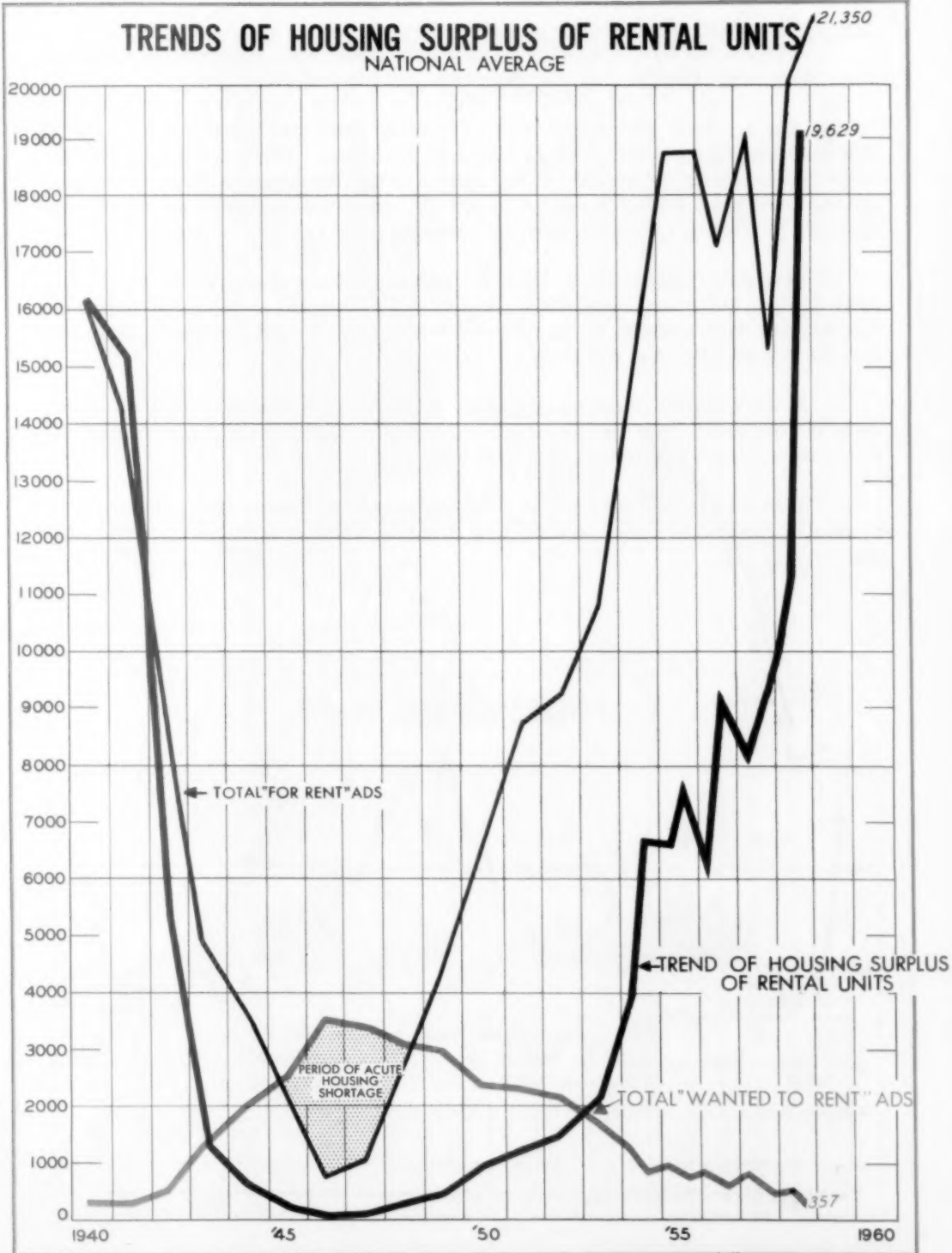
This chart indicates that during the past year the number of "for rent" ads has increased at a very rapid rate and the present surplus is above what it was in 1940. Whenever we build at a faster rate than the market can absorb, we run the risk of the resulting surplus depressing prices.

The number of people reaching 29 years of age in the 1960's will increase the demand for rental units. The demand will also be increased by the number of people reaching retirement age who will be returning to apartment house living.

In the meantime, if a large surplus of rental units develops, we could be faced with a more serious readjustment.

TRENDS OF HOUSING SURPLUS OF RENTAL UNITS

NATIONAL AVERAGE



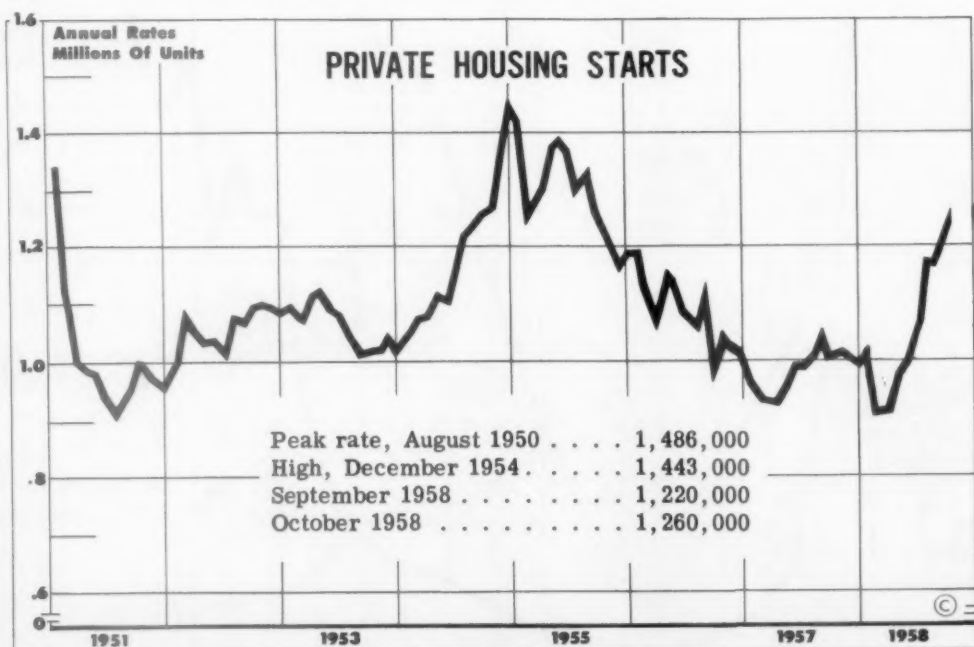
Private nonfarm housing starts showed better than seasonal strength and have risen to the annual rate of 1,260,000--the highest since September 1955.

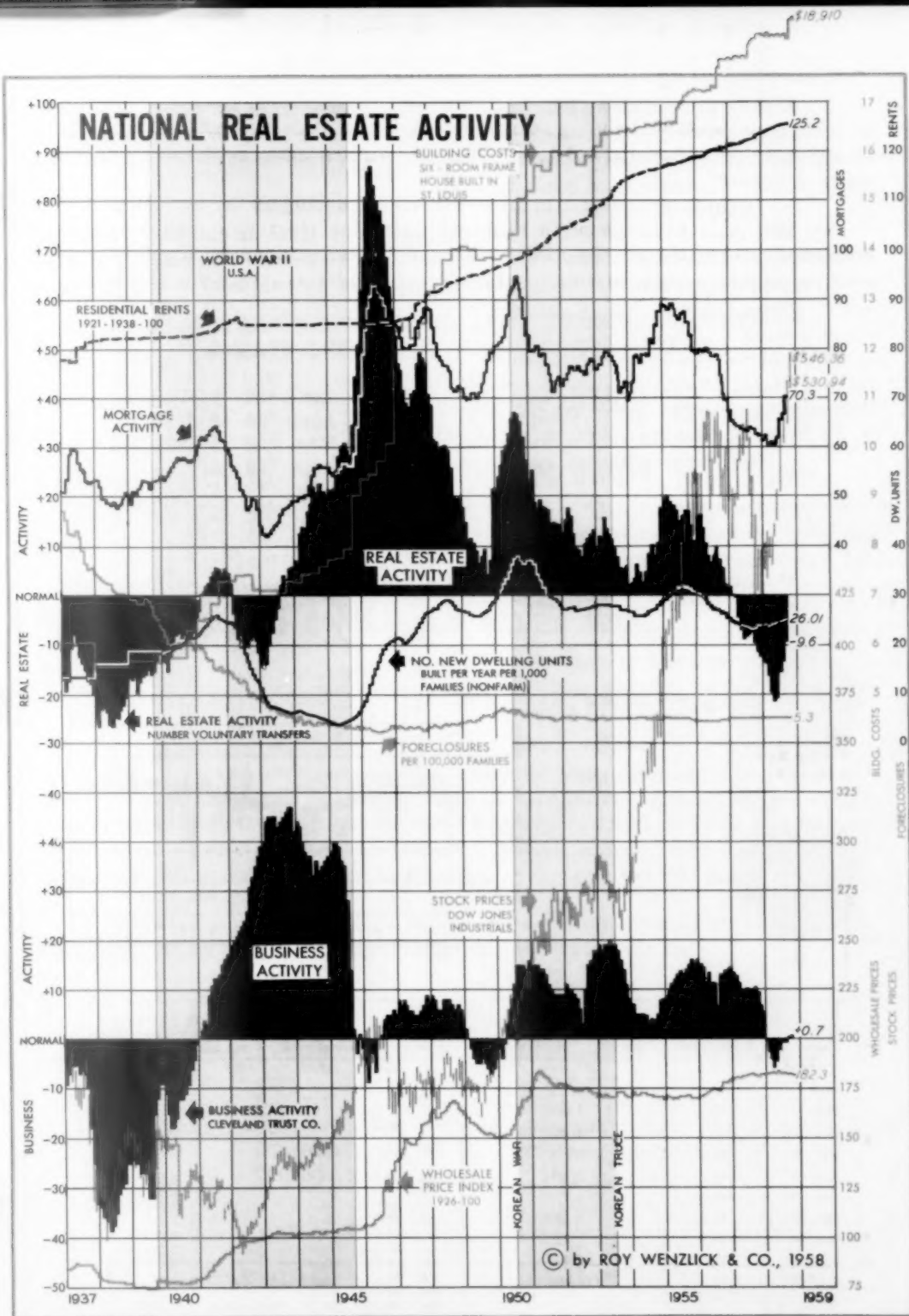
The upswing was aided by easier home financing in the earlier part of this year and reflects the gains in FHA and VA starts. Mortgage money has become tighter since the middle of the year and the Government-guaranteed programs have been losing momentum. VA appraisal requests for new homes dropped 28.5% between September and October.

Our sales price index on older properties, as shown on the chart and table below, indicates very little change in the general trend of sales prices. The fact that the recession did not depress either rents or selling prices indicates that the demand for real estate is still relatively strong.

If the general economic situation continues to strengthen, the readjustment in real estate will be relatively mild, unless the housing industry is overstimulated beyond any reasonable demand.

If this happens and a surplus of rental units develops, the selling prices of existing buildings could drop rapidly bringing about a decrease in residential rent levels.





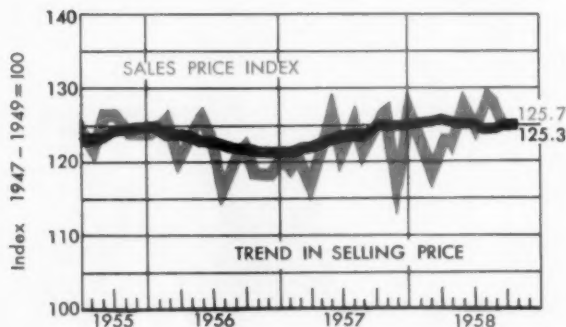
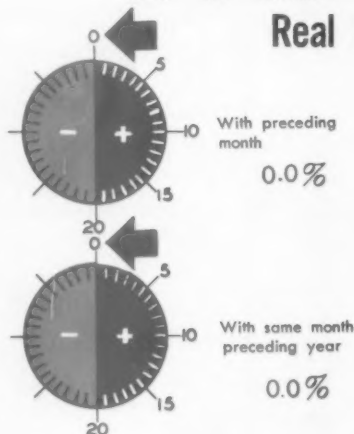
Should this happen, the value of older property would drop to the point where a new building would not be worth what it cost to build in comparison with an old building. Despite attempts to stimulate the housing industry, its volume would decrease.

Mortgage interest rates have changed very little as can be seen on our mortgage interest table. However, discounts are reported to be running as high as five points in some areas. Interest rates on conventional mortgages are

AVERAGE INTEREST RATE OF RECORDED MORTGAGES IN 12 MAJOR CITIES OF THE UNITED STATES

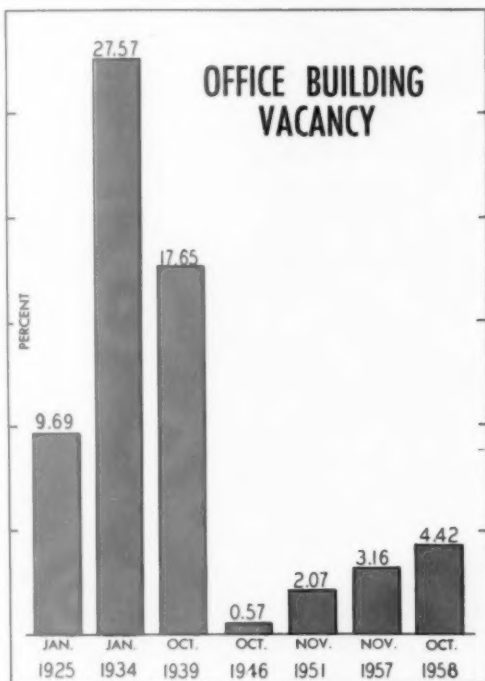
Jan. '54	5.187%	Jan. '56	5.105%	Jan. '58	5.775%
Apr. '54	5.173	Apr. '56	5.157	Apr. '58	5.813
July '54	5.089	July '56	5.141	May '58	5.787
Oct. '54	5.092	Oct. '56	5.229	June '58	5.717
				July '58	5.664
Jan. '55	5.045	Jan. '57	5.363	Aug. '58	5.657
Apr. '55	5.079	Apr. '57	5.507	Sept. '58	5.650
July '55	5.050	July '57	5.501	Oct. '58	5.631
Oct. '55	5.055	Oct. '57	5.602		

Real Estate Sales Price Comparisons



Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period	Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period
1947-49	100.0	\$12,000	Oct. '54	122.3	\$14,680
1913	40.1	4,812	Oct. '55	125.1	15,010
1918	34.1	4,092	Oct. '56	121.9	14,630
Mar. '29	73.9	8,868	Oct. '57	125.3	15,040
May '32	34.8	4,176	Jan. '58	125.5	15,060
Apr. '34	44.8	5,376	Feb. '58	125.7	15,080
July '37	40.1	4,812	Mar. '58	126.1	15,130
Apr. '38	42.8	5,136	Apr. '58	125.9	15,110
Mar. '41	40.1	4,812	May '58	125.8	15,095
Oct. '48	104.5	12,540	June '58	125.8	15,095
Oct. '53	119.7	14,360	July '58	125.0	15,000
			Aug. '58	125.0	15,000
			Sept. '58	125.3	15,040
			Oct. '58	125.3*	15,040*

*Preliminary.



increasing which can be expected during a period of tight money. As a result, buyers are arranging for second mortgages at interest rates ranging from 6% to 10%.

The opposite chart shows office building vacancy in the United States for selected periods from 1925 to the present. Even with the large amount of office building construction that has taken place in the last few years, office building vacancy is still less than a third of its level in 1925.

The most spectacular area in office building construction during the past few years has been the Island of Manhattan.

In spite of their tremendous increases in building volume, office building vacancy in New York City is only 2.47%.

The map and table on page 536 show farm values per acre by states and the percentage change in the dollar value of farmlands. The national average market value of farm real estate reached a new record high of \$100.24 per acre in the first quarter of this year. The increases ranged from 3% in Illinois, Iowa, and Pennsylvania, to 15% in Florida.

Because farmers are in a better financial position to purchase more land, they bid up the price of the limited amount that is for sale.

FARM VALUES PER ACRE BY STATES
U. S. Department of Agriculture Estimates

	July			July	
	1957	1958		1957	1958
Alabama	\$ 69.03	\$ 73.42	Nebraska	\$ 74.10	\$ 81.18
Arizona	39.90	43.16	Nevada	32.31	33.94
Arkansas	87.19	92.97	New Hampshire . .	92.56	97.59
California	273.37	293.33	New Jersey	495.35	530.48
Colorado	37.35	39.67	New Mexico	20.35	21.30
Connecticut	342.23	366.30	New York	115.53	121.42
Delaware	180.13	194.47	North Carolina . .	143.85	149.78
Florida	159.84	183.97	North Dakota . . .	40.92	44.41
Georgia	76.27	81.70	Ohio	227.14	235.83
Idaho	104.47	109.64	Oklahoma	71.39	75.83
Illinois	265.48	273.97	Oregon	82.16	85.63
Indiana	230.96	240.99	Pennsylvania . . .	163.12	168.42
Iowa	221.68	227.37	Rhode Island . . .	360.53	389.01
Kansas	88.43	95.02	South Carolina . .	103.66	109.79
Kentucky	104.48	109.23	South Dakota . . .	41.99	45.39
Louisiana	136.11	148.13	Tennessee	100.59	106.52
Maine	64.17	66.58	Texas	67.69	71.34
Maryland	202.07	219.50	Utah	51.36	53.42
Massachusetts . . .	246.08	266.24	Vermont	69.01	73.45
Michigan	155.04	161.60	Virginia	120.00	127.19
Minnesota	128.93	136.39	Washington	136.64	146.25
Mississippi	86.99	91.03	West Virginia . . .	77.85	81.93
Missouri	90.96	97.72	Wisconsin	114.09	118.36
Montana	26.96	28.75	Wyoming	16.33	17.04

Percentage Change In Dollar Value Of Farmlands

JULY 1957 TO JULY 1958

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